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Press Release

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FY2008 Revenues Expected to Reach Record Levels

Juneau- Department of Revenue Commissioner Patrick Galvin today released the Preliminary Spring Forecast for FY 2008. General Purpose Unrestricted Revenue for FY 2008 is projected to be a record high \$8.5 billion. Alaska's new production tax is projected to bring in about \$4.85 billion or about 57% of General Purpose Unrestricted Revenue. The final forecast will be released after the March 31 production tax filing deadline so the department has the opportunity to include actual payments from the company's annual returns.

Revenue officials project crude oil prices on the West Coast at \$84.18 per barrel for FY 2008, reflecting a 37% increase from the FY 2007 level of \$61.63 per barrel. The department projects ANS crude oil prices will decline to \$83.04 per barrel in FY 2009.

FY 2008 North Slope production is forecast to average about 719,800 barrels per day, down 2.7% from the FY 2007 average of 739,700 barrels per day. Production is forecast to decline another 5.8% in FY 2009 to 678,300 barrels per day.

FY 2008 North Slope lease expenditures are projected to total about \$4.3 billion – a 17% increase from FY 2007 levels of \$3.7 billion. Lease expenditures are forecast to increase another 8% to \$4.6 billion in FY 2009.

Using the State's price, production and cost forecasts, the state will receive General Purpose Unrestricted Revenue of about \$7.7 billion from crude oil and natural gas production activities in FY 2008 and \$6.7 billion in FY 2009. Oil related revenues are derived from royalties, production taxes, property taxes and corporate income taxes. For FY 2008, oil related revenues represent about 90% of General Purpose Unrestricted Revenue and in FY 2009 oil related revenues represent about 92% of General Purpose Unrestricted Revenue.

Non-oil General Purpose Unrestricted Revenue – which includes investment income, non-oil taxes, charges for services, fines and forfeitures, licenses and permits, and royalties for non-oil minerals – are projected to increase about 20% to \$0.8 billion in FY 2008 and decline to \$0.6 billion in FY 2009. The decrease in FY 2009 is primarily driven by a 66% decline in projected investment income due to the anticipated transfer of about \$2 billion to the Constitutional Budget Reserve Fund (CBRF). Once in the CBRF, investment income is classified as Restricted Revenue and is no longer classified as General Purpose Unrestricted Revenue.

To download a copy of the Preliminary Spring 2008 forecast, visit the Tax Division's web site at www.tax.alaska.gov.
